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Horace Newcomb

EDITOR

FITZROY DEARBORN

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tion of building a library of the entire program series for repeated playback in the future, that would be warehousing. The court may have left this matter deliberately vague, however, because it would be virtually impossible to enforce a ban on such warehousing without violating a person's right to privacy. The unauthorized copying issue is raised again each time a new electronic media technology is introduced to the public. The courts are likely to continue to support the concept of time shifting and other, similar personal uses of these technologies in the future. Programming schedules have begun to reflect this practice. In the United Kingdom, for example, educational programs for both schools and the Open University are shown through the night on the assumption that teachers and other users will record them for use during the day.

The introduction of the DVR in the late 1990s made copying and storing programs still easier for viewers. The digital technology required no bulky tapes to purchase, no clock to set for timed recording, and no storage and searching for tapes when playback is desired. Instead, the television set is connected to a digital hard drive comparable to that in a computer. By subscribing to a commercial service, viewers are able to select programs weeks in advance and, with the touch of a button, command the machine to record and store the program. The user may even program the machine to collect every episode of a television series, or to search for similar programs. The digital recorder also allows viewer control of "live television," pausing the recording, delaying initial viewing, and fast-forward through commercials.

The TiVo was the first digital recorder on the market, soon followed by Replay. The first Replay machines automatically skipped commercials in recorded material. The technology also allowed for digital "file swapping." Faced with lawsuits, Replay removed these capabilities from the machines, though it is still possible to fast-forward through the interruptions.

One other form of time-shifting also developed at the end of the decade. "Re-purposing" became a programming strategy in which television distributors provided the same program in different venues, often within very short time periods. Re-purposing meant that a program appearing on network television might appear on a cable network later in the same week. While the practice was frustrating for traditional broadcasters who realized viewers might forego their network programming for other preferences when the content would be available at a later time, it was financially attractive to the owners of multiple distribution outlets. To date the practice is not widely used.

ROBERT G. FINNEY

See also **Betamax Case; Copyright Law and Television; Home Video; Sony Corporation; Videocassette; Videotape**

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Time Warner

U.S. Media Conglomerate

Time Warner, known as AOL Time Warner from 2001 to 2003, has evolved from its origins in film and publishing into one of the world's largest media conglomerates. Time Warner's television interests encompass both cable and broadcasting, and both distribution and programming. Time Warner Cable is one of the largest multiple system cable operators in the U.S. Time Warner's broadcast network, the WB, founded in 1995, has carried hit series such as *Buffy the Vampire Slayer*, *Dawson's Creek*, and *Seventh Heaven*. Warner's film and television production subsidiaries have produced programming shown on a variety of broadcast and cable networks, including *Friends*, *ER*, *Gilmore Girls*, *The West Wing*, *Everybody Loves Raymond*, *The Drew Carey Show*, *Six Feet Under*, and *Smallville*. Time Warner's cable networks include premium pay cable channels such as Cinemax and Home Box Office. The Turner networks (Turner Network Television, Turner Broadcasting System, Turner Classic Movies, Cartoon, and Cable News Network) are

among the top-rated cable networks for both general and niche audiences.

Time Warner's other subsidiaries include film production and distribution (Warner Brothers, Castle Rock, New Line), home video (Warner Home Video), and theatrical film exhibition (over 1,000 screens internationally). The Time/Life magazine publishing division, founded by Henry Luce in 1922, includes *Time*, *People*, *Sports Illustrated*, and *In Style*, and accounts for nearly a fifth of all magazine advertising revenues. Time Warner's book-publishing division includes Warner Books and Little, Brown and Company. Time Warner has stakes in various online media, including the Netscape browser, Compuserve, MovieFone, Instant Messenger, and America Online, the largest single internet service provider.

Although Warner Brothers had diversified its film business into the recording industry in the 1920s with the advent of sound movies, it only became a full-fledged diversified media conglomerate when Steve Ross's Kinney Corporation acquired it in 1969. Ross renamed it Warner Communications, Inc., and expanded into cable, publishing, and video games (for the Atari computer). Ross's management strategy was to foster competition and creative autonomy among divisions in order to attract and retain creative and managerial talent. WCI was known for its fractious internal politics, usually smoothed over by favors from Ross, a polymath with a taste for sweeping gestures and private jets. In 1989, looking to merge with a partner with complementary media holdings, Ross won a protracted legal battle with Paramount over Time Inc., publishers of *Time* magazine. However, the resulting merged company, Time Warner, went heavily into debt to finance the merger. When Ross died from cancer a few years later, bitter internal debates among Time Warner's film, music, and publishing divisions over "synergy" resulted in a protracted power struggle.

By 1993 Gerald Levin emerged the winner. Levin, a lawyer by training, had joined Time in 1972 when it acquired a small cable company in Manhattan known as Home Box Office. In 1976 Levin convinced Time to put HBO on a satellite feed (rather than microwave or landline) to deliver exclusive sports and film programming to local cable-operating systems. This innovation galvanized the growth of national cable networks and the subsequent increase of cable penetration into the majority of U.S. homes. Levin had paired an old distribution system (cable wires) with a new one (satellite feeds); he would attempt to replicate this early success throughout his tenure at Time Warner.

However, tensions over "synergy" simmered throughout the 1990s. For example, the film division refused to sell pay-cable rights for its films to HBO for less than what it thought it could receive from other pay-cable services. Warner Music was reluctant to license its artists' work to the film division. Conflicts among the divisions reflected concerns that each would suffer reduced divisional profits if forced to sell their products at a discount to buyers within the conglomerate. Thus, despite occasional successes such as the franchise of *Batman* feature films, the concept of "synergy" fell from favor. In 1996 Levin reversed his course toward streamlining the conglomerate and instead oversaw the purchase of cable magnate Ted Turner's company (TBS, TNT, CNN). The absorption of Turner's cable networks solidified Time Warner's market power in television: its combination of cable-operating systems in top markets with Turner's highly rated cable networks gave Time Warner strong negotiating leverage with competitors. Time Warner also developed an interactive television service, the Full Service Network. Unlike one-way cable service, this was a two-way distribution platform that could provide video-on-demand, retail sales, games, and communication services. However, the technology and implementation costs remained too high in the mid-1990s; Time Warner was forced to take large losses on its investment.

By the late 1990s, Internet networking and the World Wide Web threatened to replace or converge with television as the next mass-distribution platform. Levin oversaw a number of online initiatives at Time Warner, including Pathfinder, an attempt to link Time Warner's companies through the Web. In 1999, concerned that Time Warner would lose its competitive edge because of its dependence on "old media" businesses such as magazines and film, Levin reached an agreement with Steve Case, then head of America Online, to merge the two companies.

America Online had evolved from a small online game company to the largest single Internet service provider (ISP) in the world, peaking at over 20 million subscribers in 2000. Case's clever marketing strategies for AOL were rooted in his own experience as a frustrated online user in the 1980s. Case realized that if the online experience could be easy to use, fun, and affordable, it could reach a mass market. Instead of trying to sell its software to consumers wary of computers, AOL freely distributed millions of copies of its software through mass mailings. Having had a free introduction to the service, users then paid AOL based on time spent online. By 1992, AOL had overtaken competing ISPs, redesigned itself to provide its subscribers access to the rest of the Internet from within AOL, and changed its pricing to a flat monthly fee. Noting that most subscribers preferred user-

generated content such as chat rooms, AOL also reversed its relationships with professional content providers, such as *Newsweek* magazine. Rather than paying to display repurposed content, AOL asked the providers to pay for access to AOL users' screens. This not only reduced overhead but generated a new form of revenue for AOL, as content providers accepted AOL's terms in order to maintain access to millions of potential customers.

However, AOL's rapid success and subsequently overvalued stock exposed the company to hostile takeover attempts (from powerful companies such as Microsoft). Case also knew that the dial-up Internet access market would begin to shrink once broadband Internet access became more available. Broadband, whether over DSL phone lines or cable lines, offered the possibility of larger markets for online content and services. Case's selection of Time Warner as a merger partner was thus predicated in part on Time Warner's control of cable-operating systems in top markets. After having had little success in convincing other cable operators to offer AOL broadband services over their wires, Case and Levin theorized that the combination of AOL's online services brand with Time Warner's cable pipes would give AOL Time Warner a competitive advantage.

The merger of AOL and Time Warner, announced in January 2000 just before the collapse of the dot-com boom in April 2000, was completed in January 2001. In order to gain regulators' approval for their merger, AOL Time Warner had to contend with claims by competitors that its online and cable market dominance would create "bottlenecks," which would allow AOL Time Warner to discriminate against unaffiliated content providers. AOL Time Warner had to guarantee competitors' access to its cable lines. Confident that they could aggregate the conglomerate's 100 million subscribers, Case and Levin argued that the conglomerate's cross-promotion of AOL online services (both dial-up and broadband), *Time* magazine subscriptions, Time Warner cable subscriptions, as well as HBO subscriptions, would provide a stable source of revenue as well as fuel for rapid growth. AOL Time Warner would be positioned to become the market leader in entertainment technology services such as video-on-demand, interactive television, and broadband.

However, by 2003, as Time Warner's stock price suffered severe decline, the merger was heavily criticized by investors for pursuing the aim of media convergence at the cost of its core businesses. Broadband penetration lagged behind optimistic estimates, and the feasibility of interactive television was unclear. Conflicts between Time Warner executives and AOL executives broke out into the open. The number of AOL's dial-up subscribers flattened out, and its advertising revenues dropped drastically after the collapse of many of its dot-com advertisers. AOL, rather than being the "crown jewel" of the new, merged company, threatened to pull down the value of the entire conglomerate. A series of executive resignations followed, including Levin and Case, who continued to insist that their vision that "convergence is the wave of the future" was accurate despite the market's slowness in accepting it.

Renamed Time Warner in 2003, CEO Richard Parsons reduced the conglomerate's debt by selling less profitable divisions, such as Warner Music Group, and its interest in the cable network Comedy Central. Although the AOL Time Warner merger did not immediately result in a "fundamental transformation of the media and communications industries," as Case had claimed in 2001, Time Warner's focus on amalgamation as its key strategy for managing risk and reducing competition continues to shape the structure of the television industry, as well as the media and entertainment industry at large.

CYNTHIA B. MEYERS

See also **Case, Steve; Levin, Gerald; Media Conglomerates**

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